

**APPROVED MINUTES**  
**APPROVED 04-15-13**

**AUDIT COMMITTEE**



**Regular Meeting**

**4:00 PM, Monday, March 18, 2013**

**City Hall, Kiva Conference Room**

3939 N. Drinkwater Blvd., Scottsdale, AZ 85251

**PRESENT:** Suzanne Klapp, Chair  
Councilman Robert Littlefield  
Councilwoman Linda Milhaven

**STAFF:** Holly Beard, City Attorney's Office  
Ken Flint, City Attorney's Office  
Bruce Washburn, City Attorney's Office  
John Cocca, Public Safety Division  
Lai Cluff, City Auditor's Office,  
Joanna Munar, City Auditor's Office  
Sharron Walker, City Auditor's Office

**GUESTS:** None

**CALL TO ORDER**

Chair Klapp called the meeting to order at 4:05 p.m. A formal roll call confirmed the presence of Committee Members as noted above.

**1. Approval of Minutes, Regular Meeting, February 4, 2013**

**COUNCILWOMAN MILHAVEN MOVED TO APPROVE THE MINUTES OF THE FEBRUARY 4, 2013, REGULAR MEETING. COUNCILMAN LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED BY A UNANIMOUS VOTE OF THREE (3) TO ZERO (0).**

**2. Discussion and possible direction to staff regarding Audit Report No. 1306, Case Management Controls**

Ms. Lai Cluff of the City Auditor's Office presented the audit, which was designed to review the efficiency and effectiveness of the City Prosecutor's case management.

Ms. Cluff noted that since FY 2008/09, the Prosecution Department's staffing levels and overall caseload have decreased 13% to 15%, but the more time-consuming DUI cases have increased by 16% over the same period. Additionally, Scottsdale's DUI caseload is larger than other Valley cities, with the exception of Phoenix, and has increased

consistently year-to-year. DUI cases account for about 95% of Scottsdale's jury trials each year and require more time and action from Prosecution staff. During FY 2010/11, Scottsdale averaged about 6.5 jury trials per full-time prosecutor, the highest of all the Valley cities.

The audit found that the City Prosecutor efficiently manages her department's workload through a combination of effective strategies. For example, standardized procedures and cross-trained employees ensure that cases progress consistently during staffing changes. Further, the City Prosecutor's coordination with the other criminal justice departments has resulted in significant detention cost savings. In particular, the In-Jail Court process for weekdays has annualized savings of more than \$222,000. Also, the City Prosecutor noted that the In-Jail Court allows domestic violence cases to be addressed within 48 hours, when they have the best chance of obtaining case resolution.

Prosecutors still rely quite a bit on paper case files, but the Prosecution Department can strengthen controls over its electronic case management system and improve the data for monitoring and analyzing performance. To improve the system controls, the Prosecution Department should deactivate unnecessary user accounts, establish additional validation procedures to identify errors, and improve documentation of system changes. Additional information could assist the department in analyzing and addressing performance issues, such as the recent decline in resolving DUI cases within 180 days. The Prosecution Department should consider collecting additional data related to the case management process and work with the City Court to obtain existing data that the Court already has to help identify further efficiencies across the departments.

### **3. Discussion and possible direction to staff regarding Audit Report No. 1307, Detention Costs and Controls**

Ms. Joanna Munar of the City Auditor's Office said the audit was performed to review the City's detention costs including recent cost saving initiatives and controls over the accuracy of County detention billings.

The audit had two findings:

- The City overpaid approximately \$160,000 in County jail fees over the past 18 months. This was due to jail charges at incorrect rates for certain offenses, for nonbillable detainees, and for a few non-Scottsdale detainees.
- The invoice review process is not efficient, accurate or timely. The Police Department's current manual reconciliation process can be enhanced by using analytical software to identify common billing errors and reviewing case information for a limited number of inmates. This improvement is important because the MCSO only refunds billing errors that are identified within 90 days. As a result of this limited refund practice, the City is likely to recuperate only about \$44,000 of the overpayments discovered.

Ms. Munar said she helped Detention staff by researching inmate case information and gathering documentation to support the request for adjustment that was sent to the County. In the future, Detention, City Court and Prosecution staff will coordinate information and resources to automate the bill review process.

Councilman Littlefield asked about the older overpayments that may not be recuperated. Assistant Police Chief Cocca said they will try to get the overpayments refunded and they are working with the City Attorney's Office to see whether the Sheriff's Office 90-day policy has any legal standing, as Arizona statute may allow a longer refund period. In answer to a follow-up question from Councilman Littlefield, he said they would need an automated system to catch the errors during the first 90 days. He also acknowledged that the County sends paper invoices to the City, but an internal automated system would be much more efficient.

City Auditor Sharron Walker said that technology similar to the audit software their office uses would be helpful as it can make data files from the "pdf" billing reports the County sends. The Police department is currently exploring the option of using similar technology.

Chair Klapp asked about a possible IGA with the Sheriff's Office. Assistant Police Chief Cocca said the City Attorney's Office has advised that not having an IGA might be more beneficial and that more research is needed.

In response to Councilman Littlefield, Ms. Walker said the County is not willing to send electronic data files despite requests from Scottsdale and other municipalities. Using the specialized software to pull key data off of the billing report file allowed the auditor to do the initial bill review process in hours, while the manual reconciliation takes weeks. Councilman Littlefield commented that this is essential, since overbilling seems to be a consistent problem. Assistant Police Chief Cocca assured the Committee Members that staff is urgently committed to doing this and is optimistic it will be completed by the 1<sup>st</sup> of July.

Ms. Walker added that Detention staff has been enthusiastic and cooperative about automating the process. Until the new system is up and running, hopefully by July, the Auditor's Office staff can continue running the monthly analysis using their software since there is a potential saving to the City of around \$6,000 each month.

Councilman Littlefield pointed out that the overpayments have likely been ongoing for decades but were never caught and that there is no alternative but to send inmates to the County jail. Chief Cocca agreed the City has likely paid more than it should have over the years. Ms. Walker recalled a detention cost audit was last performed in 2005 or 2006, but at that time the Auditor's Office did not have the specialized audit software that allowed the matching process.

#### **4. Discussion and possible direction to staff regarding Preliminary FY 2013/14 Audit Plan**

Ms. Walker presented a preliminary draft of the audit plan for FY 2013/2014, which will be refined after the budget process and in consultation with senior City staff and interested Council Members.

The Committee discussed the weighting for risk factors. Ms. Walker said that for some areas analysis of City-wide aggregate data would be helpful, such as the office supplies contract and printers. This may end up being a two or three step process, analyzing City-wide data, service area level data and cost center level data.

In answer to a question by Chair Klapp, Ms. Walker confirmed that the sunset reviews of boards and commissions are already determined for next year. The Audit Committee previously approved a 3-year schedule for these.

**5. Discussion and possible direction to staff regarding City Auditor's budget update**

Ms. Walker reported that at the end of February, two-thirds of the way through the fiscal year, the Auditor's Office had spent about 58 percent of its annual budget. However some expenses, such as out-of-state training, occur later in the year. Costs for their audit software will rise by \$500 to \$1,000 because the vendor is switching to individual user licenses. Ideally every auditor should have access to this system. She believes that for this year they will be able to pay for the licenses with savings in other budget areas.

**6. Discussion and possible direction to staff regarding status of FY 2012/13 Audit Plan**

Ms. Walker said they are slightly ahead of schedule on the current year's audit plan. She feels the Committee will need to meet in April and June, possibly not in May. An update on whether the May meeting is needed will be provided in April.

**7. Discussion and possible direction to staff regarding agenda items for next Audit Committee meeting (April 15, 2013)**

Ms. Walker stated that the next meeting is scheduled for April 15. The sunset review of the Human Relations Commission will be on the agenda, as well as the audit of Social Media Use and Controls. The third quarter audit follow-up will be discussed, as will the first calendar quarter Taxpayer Problem Resolution Officer's report.

Chair Klapp noted that Councilwoman Milhaven will probably no longer be on the Committee.

**Public Comment**

No members of the public wished to address the Committee.

**Adjournment**

The meeting adjourned at approximately 4:44 p.m.

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